

**Council on Postsecondary Education
Executive Committee
March 8, 2006**

Performance Funding Component

The performance funding component provides incentive funding related to five performance measures directly related to key goals of the Public Agenda. Half of the funding will be distributed based on a comparison in performance between the Kentucky institutions and their benchmarks, and the other half will be based on improvement in performance on selected key indicator goals.

The Council adopted a budget recommendation in November 2005 that included \$3.5 million in 2007-08 in performance funding for the institutions to be distributed based on performance related to the goals of House Bill 1. Based on the comprehensive funding review, as approved by the Council, the performance funding component will be implemented beginning in the second year of the biennium.

Performance Indicators and Weighting

Description/ Weighting	Indicator
Benchmark Comparisons (50%)	(1) Production - degrees per UG FTE (2) Efficiency - Production/total public funds / UG FTE
Key Indicator Goal Attainment (30%)	(3) Degree production or transfer (KCTCS) - progress toward key indicator goal (4) Minority degree production or transfer (KCTCS) - progress toward key indicator goal
Institution's Choice: Key Indicator Goal Attainment (20%)	(5) Selected by each institution from a list of institutional specific CPE-approved key indicators

One of the principal objectives of this new component of the funding model is that it be relatively simple with only a few focused indicators. These particular indicators were selected based on numerous discussions with the institutions to reward performance for efficiently increasing the educational attainment rates of Kentuckians. All of the key indicators are important and will be monitored for performance each year; however, these five focused indicators have been selected for the performance funding component.

Degree production is defined as baccalaureate degrees for four-year institutions and awards greater than one year including associate degrees for two-year institutions. Half of the funds

will be distributed based on performance relative to benchmark peer institutions and the remaining half based on improved performance relative to goals toward House Bill 1 key indicator progress.

Revisions to Methodology

Based upon feedback from the Council and institutional representatives, the Council staff made two modifications to the performance funding methodology. A two-year average is now used for performance calculations and the year used to calculate FTE for the productivity ratio is now lagged by four years for four-year institutions and two years for KCTCS.